

In the United States, a massive new stimulus plan focusing primarily on households, whose income growth in 2020 masked contrasting situations

In the United States, after two economic support plans in response to the health and economic crisis, the new government is preparing to implement a new stimulus plan. This \$1.9 trillion stimulus plan sets out to bolster the immunisation campaign, provide economic support to households and the unemployed, and generally ensure a rapid and robust economic recovery. Although the exceptional scale of this new plan has sparked debate among economists, particularly given fears of the return of inflation, the contrasting situations of US households seem to justify increased support for the most struggling households, particularly given that levels of general social support and benefits are lower than in Europe.

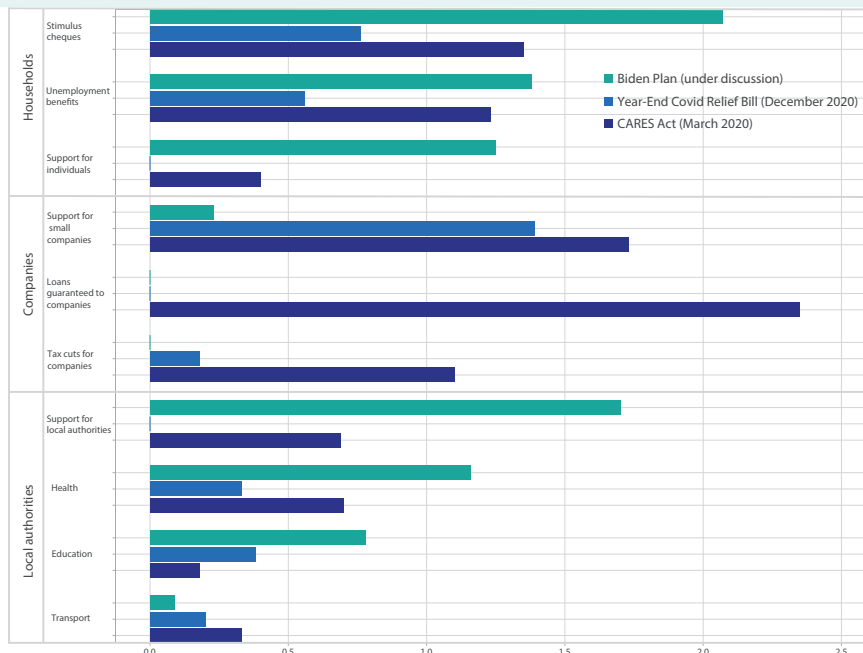
Three massive plans make up the colossal budget support package implemented by the US in response to the health and economic crisis

The US response to the economic crisis caused by the coronavirus epidemic comprises three successive components (► figure 1). The first part – the “Coronavirus Aid, Relief, and Economic Security Act” (CARES Act) – passed on 27 March 2020, amounted to a fiscal stimulus of \$2.2 trillion, or around 10% of GDP, with the aim of supporting households and businesses. It included a one-time taxpayer stimulus cheque of \$1,200 per adult, unprecedented unemployment insurance, and the Paycheck Protection Program (PPP), providing loans to cover the wages paid by businesses. After the expiry of a proportion of this aid, the need for a second stimulus plan became apparent in the autumn. After being debated at length between

the Democratic House of Representatives and the Republican Senate in the context of the presidential election, the plan was finally enacted in late December (“Year-End Covid Relief Bill”). The \$900 billion (2.8% of GDP) package included a new \$600 household check, an extension of unemployment benefits and a new version of the PPP. Considering this second plan as a «down payment», the new US government then presented a third budget support plan totalling \$1,900 billion (8.7% of GDP), which has been approved by the House of Representatives and the Senate, and should be enacted quickly by Joe Biden. Measures under discussion include a \$1,400 stimulus cheque for taxpayers, new unemployment benefits and an increase in food aid. Funds are also being provided to step up the immunisation campaign, support local communities in need, and enable the reopening of schools and universities.

► 1. The new stimulus plan focuses on households and local authorities

as % of GDP in Q4 2019



How to read it: the stimulus cheques provided as part of the Biden plan amount to 2.1% of GDP, or \$450 billion.

Note: the amounts put forward in the Biden plan are not final due to ongoing negotiations in Congress.

Sources: Congressional Budget Office, Committee for a Responsible Federal Budget

International economic outlook

The rise in overall household income masks a very contrasting situation

The discussion of a third household-oriented stimulus plan raised concerns over the changes in the gross disposable income of households in 2020, which actually surged by +10.0% in Q2, driven by the CARES Act in particular, before falling back slightly in H2. It increased by +7.2% for the year as a whole compared to 2019. As a result, and given the decline in consumption, the household savings rate rose sharply from 7.5% of gross disposable income in 2019 to 16.2% in 2020. In accounting terms, these extra household savings could be sufficient to revive consumption once the economic recovery takes hold, without additional fiscal support. However, this increase in household income masks a contrasting situation at the microeconomic level, notably because social support and benefits in the United States are generally insufficient to mitigate the impacts of crises for a certain number of households, which explains the need for additional intervention in support of these households.

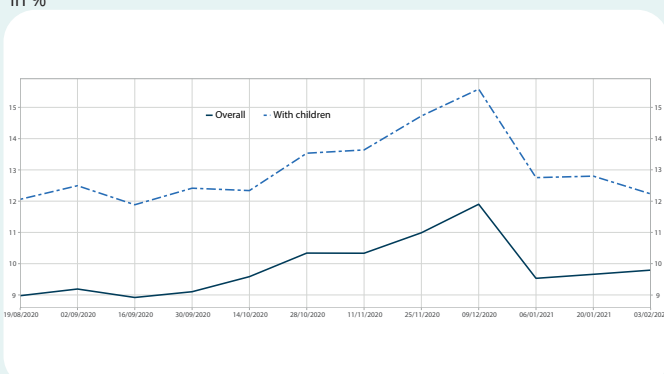
Indeed, the new US government's justification for the need to implement another stimulus plan is the situation facing the poorest households in the United States, including the ten million or so additional unemployed people (► **Focus on unemployment trends in Western countries**). Indeed, according to a Census Bureau survey aimed at measuring the economic and social consequences of the health crisis among households

(Household Pulse Survey, conducted on a bi-monthly basis since August 2020), nearly 10% of Americans surveyed at the beginning of 2021 declared that they did not always have enough to eat, a proportion that rises to 12.5% for households with children (► **figure 2**). This survey shows an increase in food insufficiency between the end of August and the end of 2020, followed by a decrease at the beginning of 2021, which could be linked to the payment of aid under the second stimulus plan. Such causality would justify the need for further support to the most disadvantaged households. Similarly, around one in three Americans reported that they struggled to cover their day-to-day household expenses (► **figure 3**); A similar pattern is reported for food insufficiency, with a gradual increase in the autumn followed by a decline in the New Year and the implementation of a second fiscal stimulus plan.

The use of the money paid to households in January is consistent with the objectives of the fiscal stimulus plan

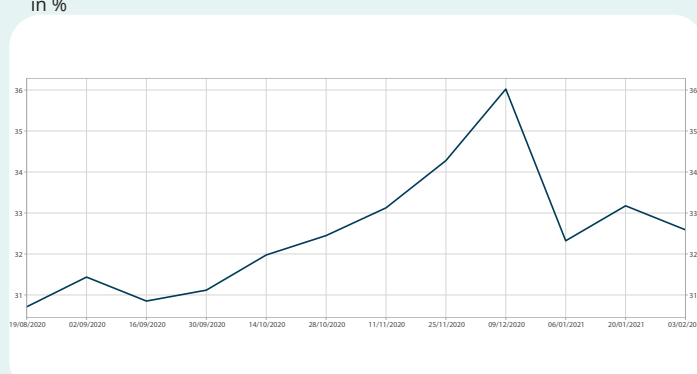
In this Household Pulse Survey, households were also asked how they had used the amounts received from the fiscal stimulus package in January. Among the 60% of respondents who reported that a member of their household had received a stimulus payment during the last seven days, half stated that they mostly used it to pay off debts, a quarter mostly saved it, and the remaining quarter mostly spent it (► **figure 4**). This survey shows that uses vary according to the income

► 2. Approximately 10% of respondents reported that they did not always have enough to eat in %



How to read it: for the survey period between 20 January and 1st February, 9.7% of respondents reported that they "sometimes" or "often" had not had enough to eat during the last seven days.
Source: Household Pulse Survey, Census Bureau

► 3. More than 30% of respondents declared that they struggle to cover their day-to-day expenses in %



How to read it: for the survey period between 20 January and 1st February, 33% of respondents stated it is "very difficult" or "somewhat difficult" to pay for usual household expenses.
Source: Household Pulse Survey, Census Bureau

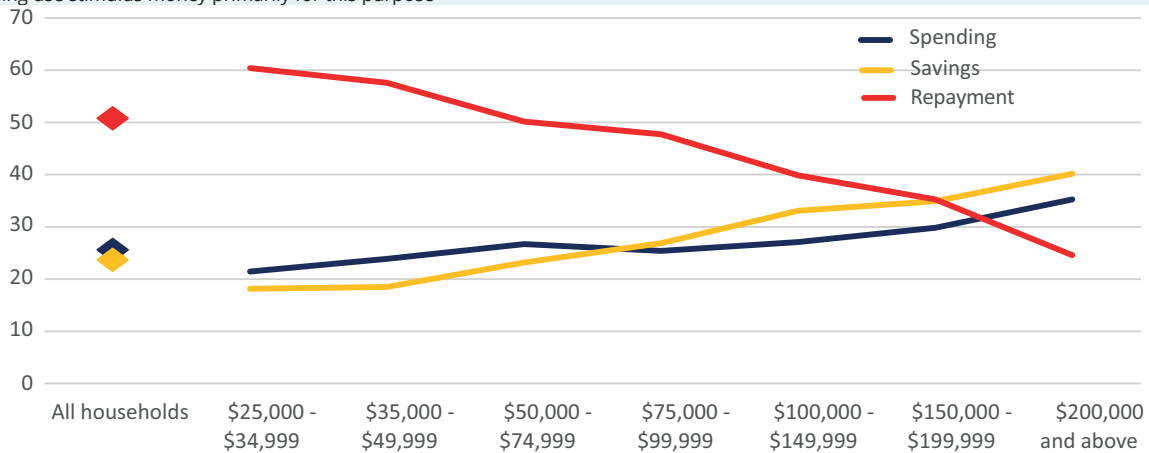
level of the household receiving the financial assistance: households with lower incomes have a much higher tendency to use the money mainly for repayments. In more detail, these payments seem to be primarily used for basic necessities (food, hygiene products) as well as unavoidable expenditure (electricity, gas, Internet, debt repayment, rent, loans, ► **figure 5**). Other types of

expenditure appear more marginally. However, these results should be viewed with caution given the high non-response rate for this question (approximately 40%), a bias that probably concerns respondents whose responses would imply that they did not need to receive the extra money. ●

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► 4. Households used December's fiscal stimulus money differently depending on their income

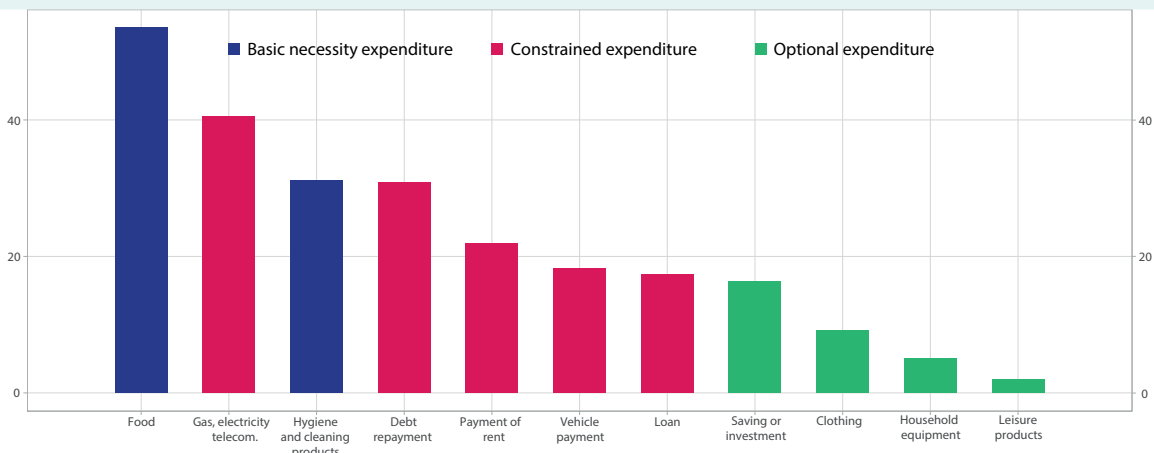
% responding use stimulus money primarily for this purpose



How to read it: for the survey period between 20 January and 1st February, among respondents receiving a stimulus payment who had declared their income level, 60% of respondents with incomes below \$34,999 per year reported that they had used the payment primarily to pay off debts.
Source: Household Pulse Survey, Census Bureau

► 5. In January, households reported using the fiscal stimulus mainly for basic necessities or unavoidable expenditure

in %



How to read it: for the survey period between 20 January and 1st February, 54% of respondents who answered the question on the use of stimulus payments stated that they had used them to buy food. The respondents could check several responses.
Source: Household Pulse Survey, Census Bureau